

CONFIDENTIAL
LEGISLATIVE BILL REVIEW FORM: 2015

Bill Number: S.98 Name of Bill: An act relating to Captive Insurance

Agency/ Dept: Dept. of Financial Regulation Author of Bill Review: Commissioner Susan L. Donegan

Date of Bill Review: 4/9/2015 Related Bills and Key Players: N/A

Status of Bill: (check one): ☐ Upon Introduction ☐ As passed by 1st body ☒ As passed by both

Recommended Position:

☒ Support ☐ Oppose ☐ Remain Neutral ☐ Support with modifications identified in #8 below

Analysis of Bill

1. Summary of bill and issue it addresses. *Describe what the bill is intended to accomplish and why.*

This bill:

- Reduces the number of incorporators for a captive insurance company from 3 to 1, as is the case with most other incorporations under Vermont law.
- Reduces the minimum capital requirements for cell company structures from \$500K to \$250K.
- Amends the law to allow captives to include marketable securities along with cash, trust, and letters of credit in satisfaction of minimum capital requirements.
- Creates a naming convention for incorporated protected cells.
- Adopts portions of the National Association of Insurance Commissioners (NAIC) Protected Cell Company Model Act language regarding segregation of assets and liabilities, contracting by/for individual cells, treatment of cells in case of delinquency, etc.
- Adopts the NAIC Model Governance Standards for Risk Retention Groups (RRG).

2. Is there a need for this bill?

Yes. This bill addresses concerns of the captive industry regarding necessary strengthening of the cell law, and easing of administrative requirements. The RRG Governance Standards will be an NAIC accreditation standard in 2017. These standards work to ensure that the RRG is governed by the members for the benefit of the members. The standards require a majority of independent directors on the company's board, prohibit onerous contracts, and require the group to develop written corporate governance and ethics policies.

3. What are likely to be the fiscal and programmatic implications of this bill for this Department?

None.

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4. What might be the fiscal and programmatic implications of this bill for other departments in state government, and what is likely to be their perspective on it?

None.

5. What might be the fiscal and programmatic implications of this bill for others, and what is likely to be their perspective on it?

Some regulated entities may need to make changes to their governance in order to comply with S. 98. Fiscal and programmatic implication are expected to be immaterial. Regulated entities support this bill as demonstrated by the support of the Vermont Captive Insurance Association.

6. Other Stakeholders:

- 6.1 Who else is likely to support the proposal and why?

The Vermont Captive Insurance Association supports this bill.

- 6.2 Who else is likely to oppose the proposal and why?

No opposition has been presented.

7. Rationale for recommendation:

S. 98 improves quality of regulation, maintains Vermont's status as an attractive, innovative domicile, and maintains our accreditation with the NAIC.

8. Specific modifications that would be needed to recommend support of this bill:

None.

9. Gubernatorial appointments to board or commission?

None.

Secretary/Commissioner has reviewed this document: *Susan L. Faneuil* Date: *4/2/15*

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